

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 COME-00 INT-08 TRSE-00 SCI-06

SCEM-02 DRC-01 /150 W

----- 001146

R 150901Z NOV 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8278

INFO AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

CINCPAC

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E.O. 11652: NA

TAGS: ENRG

SUBJECT: CABINET RAISES OIL PRICES IN RESPONSE TO GROWING SHORTAGE

REF: A. BANGKOK 17629, B. BANGKOK 16727

1. BEGIN UNCLASSIFIED SUMMARY. RTG CABINET NOVEMBER 13 APPROVED PRICE INCREASES ON ALL TYPES POL SOLD LOCALLY IN RESPONSE TO HIGHER MIDDLE EAST CRUDE PRICES. INCREASES VARY FROM 17 PERCENT FOR PREMIUM GASOLINE TO 42.5 PERCENT FOR LIGHT FUEL USED TO GENERATE ELECTRICITY. NEW PRICES FOR PREMIUM AND REGULAR GASOLINE INCLUDE AVERAGE ADDITIONAL 20 SATANG PER LITER IN EXCISE TAX, WHICH NOW TOTALS

ONE BAHT PER LITER. CABINET ALSO ISSUED PLEA TO THAI CONSUMERS TO ECONOMISE USAGE OF OIL. GOVERNMENT'S DECISION WAS CRITICIZED IN THAI ENGLISH LANGUAGE PRESS (OTHER NEWSPAPERS NOT AVAILABLE) AS AN INSUFFICIENT MEASURE TO DEAL WITH SERIOUS PETROLEUM CRISIS FACING THAILAND. OIL INDUSTRY REACTION WAS CAUTIOUSLY POSITIVE. END SUMMARY.
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2. RTG CABINET ANNOUNCED DECISION TO PERMIT GOVERNMENT FIXED PRICE FOR PETROLEUM PRODUCTS TO RISE IN RESPONSE TO RECENT HIKE IN PRICE OF ARABIAN CRUDE. PRICE RISES ARE AS FOLLOWS:

PRODUCTS	OLD PRICE	NEW PRICE	PERCENTAGE
PREMIUM GASOLINE	2.30	2.69	16.95
REGULAR GASOLINE	2.09	2.50	19.61
KEROSENE	1.45	1.78	22.75
GAS OIL	1.05	1.41	34.28
DIESEL OIL	1.03	1.34	30.09
LIGHT FUEL OIL	0.40	0.57	42.50
HEAVY FUEL OIL	0.38	0.52	36.84

3. CABINET ALSO ISSUED PLEA TO THAI PEOPLE TO ECONOMIZE ON OIL USAGE.

4. RTG OIL WORKING COMMITTEE, WHICH CONTINUES IN EXISTENCE, CHARGED WITH PROVIDING PERIODIC REPORTS ON OIL SITUATION.

5. COMMERCE AND FOREIGN MINISTRIES WERE DIRECTED TO EXPLORE POSSIBLE USE OF THAI RICE TO NEGOTIATE FOR OIL DIRECTLY WITH MIDDLE EAST OIL PRODUCING COUNTRIES. RTG OFFICIAL TOLD EMBOFF INTENT IS NOT TO BARTER RICE FOR OIL, OR SECURE CRUDE OIL AT REDUCED PRICES, BUT RATHER TO EXPLORE MARKET FOR THAI RICE IN MIDDLE EAST, AND USE POTENTIAL LEVERAGE, IF ANY, TO OBTAIN COMMITMENT FOR SALE OF CRUDE. FOR 1972 THAILAND SOLD TO ARAB COUNTRIES RICE TO VALUE OF 13 MILLION DOLLARS OR APPROX 10 PERCENT OF THAILAND'S YEARLY PETROLEUM BILL. SAUDI ARABIA WAS THAILAND'S PRINCIPAL CUSTOMER.

6. EDITORIALS APPEARING IN THAILAND'S ENGLISH LANGUAGE PRESS ATTACKED RTG CABINET'S ACTION ON OIL CRISIS, ESPECIALLY HIGH PERCENTAGE PRICE RISE FOR DIESEL AND FUEL OIL IN COMPARISON WITH INCREASE

FOR GASOLINE, AND ALSO FOR FAILURE TO INSTITUTE STERNER OIL CONSERVATION METHODS. BANGKOK POST CALLED CABINET'S DECISION ON PRICES "FIRST MAJOR FAILURE" AND PILLORIED THE CABINET FOR "DELIVERING MAN-IN-THE-STREET A BLOW HE IS IN NO POSITION TO WITHSTAND WHILE LEAVING THE AFFLUENT MINORITY UNTOUCHED." NATION FOCUSED ON "DISAPPOINTING LACK OF SOME CONSIDERATION FOR AUSTERITY MEASURES TO SERVE LIMITED OFFICIAL USE

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AS A BUFFER AGAINST ANY DETERIORATION IN THE OIL SITUATION."
END UNCLASSIFIED.

7. BEGIN LIMITED OFFICIAL USE. A MEMBER OF RTG OIL WORKING COMMITTEE DEFENDED CABINET DECISION IN CONVERSATION WITH EMBOFF. ON PRICE RISE, RTG OFFICIAL POINTED OUT THAT BOTH SINGAPORE PRICE AND SUPPLY-DEMAND CONSIDERATION IN THAILAND INFLUENCED CABINET DECISION. LOW FIXED PRICE FOR DIESEL IN THAILAND, WHICH STIMULATED

DEMAND WHILE DISCOURAGING PRODUCTION, HAD TO BE RAISED, HE SAID. AT SAME TIME, RELATIVELY SMALL GAS PRICE RISE TO PRODUCER WAS SUPPLEMENTED BY 20 SATANG PER LITER HIKE IN GASOLINE TAX. SAME OFFICIAL DESCRIBED THIS MEASURE AS FIRST STEP OF SEVERAL CONTEMPLATED CHANGES IN TAX POLICY DESIGNED TO REDUCE HIDDEN SUBSIDY TO DIESEL USERS INHERENT IN EXCESSIVELY LOW FIXED DIESEL PRICE. HE EXPRESSED THE HOPE THAT HIGHER INCOME TO REFINERIES FROM NEW PRICES WOULD ENCOURAGE INCREASED DOMESTIC PRODUCTION OF DIESEL AND FUEL OIL. COMMENTING ON FAILURE TO INSTITUTE STRICTER CONSERVATION MEASURES, HE SAID CABINET WAS CONVINCED THAT, IN SHORT RUN, IF THAILAND IS WILLING TO PAY MORE FOR PETROLEUM IT WILL NOT SUFFER A SHORTAGE. HE ALSO STRESSED THAILAND'S VERY SMALL PERCENTAGE OF TOTAL WORLD PETROLEUM CONSUMPTION, AND THE WIDE SPREAD HOPE THAT CRUDE SUPPLY SITUATION WOULD RETURN TO NORMAL WITH CEASE-FIRE IN THE MIDDLE EAST.

8. OIL COMPANY REPRESENTATIVES DEFENDED CABINET DECISION TO RAISE DIESEL PRICES BY HIGHER PERCENTAGE THAN GASOLINE. ONE DESCRIBED THE INCREASE AS "JUST ABOUT RIGHT." HOWEVER, VARIOUS REPRESENTATIVES HAVE POINTED OUT THAT FURTHER ACROSS THE BOARD PRICE RISES WOULD BE NECESSARY TO REFLECT INCREASED CRUDE COSTS. RELATIVELY HIGH PRICE RISE IN DIESEL WAS SEEN AS CORRECTIVE MEASURE AGAINST "BLACK MARKET" IN DIESEL THAT HAD DEVELOPED UNDER ARTIFICIALLY LOW FIXED PRICE. ALTHOUGH OIL COMPANY REPS GENERALLY CRITICIZED RTG'S FAILURE TO INSTITUTE MORE STRINGENT OIL CONSERVATION MEASURES, THEY POINTED TO CONTINUED UNCERTAINTY OF EXACT EFFECTS OF ARAB PRODUCTION CUTS ON THAILAND AS JUSTIFYING, AT LEAST IN PART, SOME DELAY IN MAKING POLITICALLY DIFFICULT DECISIONS. SUMMIT OIL REP, WHOSE FIRM HAD FACED BANKRUPTCY UNTIL PRICE INCREASED, PRAISED NEW GOVERNMENT'S DECISIVENESS AND RESPONSIBILITY IN COMPARISON TO ITS PREDECESSOR. HE SAID THAT DESPITE ITS CARETAKER ROLE, SANYA LIMITED OFFICIAL USE

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GOVERNMENT HAD TAKEN DIFFICULT BUT POSITIVE STEPS IN AN IMPORTANT AREA. END LIMITED OFFICIAL USE.
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